

Message Text

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ACTION OPIC-12

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E.O. 11652: N/A

TAGS: EINV

SUBJ: WERTHEIM TEA PROJECT: CDC PROPOSAL

ALSO FOR OPIC

REF: (A) KIGALI 473, (B) STATE 174967

1. BEGIN SUMMARY. CDC REPORT PROPOSES PROJECT SIMILAR TO WERTHEIM'S. PRODUCTION AND MARKETING ANALYSES SUPPORT WERTHEIM CONTENTIONS AND INDICATE THEY NEED NOT BE INHIBITING FACTORS OPIC CONSIDERATION. COPIES SELECTED PORTIONS CDC REPORT BEING POUCHED AUG 30. RECOMMENDATION: WERTHEIM BE PROVIDED COPY AND COMMENT FOR DEPT /OPIC/ ON APPROPRIATE SECTIONS. END SUMMARY

2. CDC PROPOSAL. EMB RECEIVED CONFIDENTIAL ACCESS COPY COMPETITIVE CDC PROPOSAL FOR TEA FACTORY/PLANTATION IN CYOHOHA/ RUKERI AREA. CDC STUDY ENVISAGES TEA FACTORY AND PLANTATION GENERALLY SIMILAR TO THOSE PROPOSED BY WERTHEIM. MAJOR CONCEPTUAL DIFFERENCE IS THAT CDC OPTS FOR 100 HA. OF FOREST- ATION TO PROVIDE WOOD FUEL AND A 300 HA. COMMERCIAL PLANTATION WOULD BE SEPARATE INVESTMENT. IN CONTRAST, WERTHEIM PROPOSAL BASED ON 400 HA. LEASE (IN ADDITION TO THE 684 HA. BY FED) PLANTED BY SALES EARINGS WERTHEIM ALSO PROPOSES WOOD FUEL (BUT NO FORESTATION). BOTH PROJECTS BASED ON CTC TECHNOLOGY, BUT BOTH EXPRESS QUALIFIED PREFERENCE FOR ROTORVANE WHICH WOULD REDUCE COST. CDC ANALYSIS STATES FACTORY AND FED PLANTINGS

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WITHOUT COMMERCIAL PLANTATION HAS HIGHER RATE OF RETURN,

BUT CDC BELIEVES (LIKE WERTHEIM) THAT SUPPLEMENTARY COMMERCIAL PLANTATION NECESSARY TO ASSURE ADEQUATE TEA SUPPLY AND QUALITY. CDC ALSO STATES FOLLOWING RECOMMENDATIONS/CONDITIONS; (A) TEA GROWERS BE ORGANIZED INTO CAPABLY MANAGED ASSOCIATION (AFTER FED ASSISTANCE ENDS 1979) IN ORDER HAVE MEANS FOR QUALITY CONTROL, PARTICULARLY IN ANY ABSENCE COMMERCIAL PLANTATION, (B) GOR TO BE RESPONSIBLE FOR PROVIDING WATER SUPPLY, ELECTRICITY (INCLUDING TRANSMISSION LINES) PLUS 100 HA. FOR FOREST, AND (C) PROJECT FREEDOM IN MARKETING I.E. BUY/SELL ON ITS OWN BEHALF RATHER THAN THROUGH OCIR/TEA.

3. DATA. ALTHOUGH CDC-WERTHEIM PROPOSALS NOT PRECISELY COMPARABLE, USEFUL DATA ARE AS FOLLOW (EMB COMPILATION):

ITEM	WERTHEIM (1084 HA.)	CDC (984 HA.)
INITIAL PROJECT CAPITAL	\$1.8 MILLION	\$2.1 MILLION
COST		
INITIAL FACTORY CAPITAL	\$1.5 MILLION	\$1.1 MILLION
COST		
PLANTATION DEVELOPMENT	FROM EARNINGS	\$1.0 MILLION
COST		
MADE TEA PRODUCTIONS		
(TONS)		
1976	129	113
1980	606	675
ASSUMED WORLD TEA PRICE	52	60-75 (20 YRS)
(P/KG)		
RATE OF RETURN (PERCENTAGE)	"VERY FAVORABLE"	3.0-8.5-12.0
PRODUCER PRICE (FR. RW/KG)	8	8
PROCESSING COST PER KG	70	113 (1977)
MADE TEA (FR RW)		58 (1984)
INTEREST RATE (ASSUMED)	9 PERCENT	6 PERCENT

4. MARKETING. CDC STUDY NOTES (P. 54) THAT GOR HAS ESTABLISHED TEA MARKETING DEPT WITHIN OCIR, BUT EXPRESSES UNDERSTANDING OCIR/TEA WILL "...HANDLE ONLY TEA PRODUCED IN OCIR CONTROLLED FACTORIES". FOR CDC CYOHOHA-RUKERI PROJECT, "WHICH WILL BE PRIVATELY-CONTROLLED", CDC OUTLINES MARKETING INTENTIONS BY GRADES AND MARKETS.

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5. DOCUMENTS. TWO EMB REPRODUCED COPIES SELECTED SECTIONS AND TABLES OF 100 PP. CDC REPORT (IN ENGLISH) BEING POUCHED AF/C AUG 30. GOR OFFICIAL COMMENTED CDC STUDY IMPRESSIVE IN THOROUGHNESS AND DOCUMENTATION.

6. COMMENT. CDC REPORT APPEARS CONFIRM VIABILITY WERTHEIM PROJECT. PRODUCTION AND MARKETING ANALYSES ALSO SUPPORT WERTHEIM CONTENTIONS AND INDICATE DEPT CONCERNS RAISED REFTTEL

B NEED NOT BE INHIBITING FACTORS IN OPIC CONSIDERATION.

RECOMMENDATION: WERTHEIM BE PROVIDED COPY AND ASKED COMMENT
DEPT/OPIC ON APPROPRIATE SECTIONS.
FRITTS

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